

## **Bulletin 100**

### **REFUND OF UNEARNED PREMIUM ACCIDENT AND SICKNESS INSURANCE**

December 3, 1999

This Bulletin is directed to all insurance companies that offer accident and sickness insurance in Indiana. It has come to the attention of the Indiana Department of Insurance that some insurers are refusing to cancel accident and sickness policies/certificates at the request of the insured and refusing to refund unearned premium, without a provision in the insurance policy supporting and clearly notifying the insured of this practice.

Accident and sickness insurance coverage includes any kind of insurance described in Class 1(b) or 2(a) of IC 27-1-5-1. This bulletin is specifically intended to include Medicare supplement and long term care insurance policies and certificates.

An insurance company is not entitled to retain unearned premium. Unearned premium is premium that is paid in advance for insurance that has not yet been provided. The insured pays in advance for insurance, but the insurer does not earn the premium until coverage is provided; the unearned portion of the premium belongs to the insured. Therefore, if a policy/certificate period is one year, one-twelfth (1/12) of the premium is earned each month. Once removed from risk, the company is unjustly enriched if it retains these monies. Unless the policy specifically indicates otherwise, an insurance policy can be cancelled by an insured. When a policy/certificate is cancelled, the premium paid in advance is unearned premium and must be refunded.

The Department is recording contacts from consumers who wish to cancel an accident and sickness insurance policy/certificate and are denied a refund of premium, as complaints against the company. Such activities will be pursued and insurers may face fines and/or other administrative penalties.

Sally McCarty, Commissioner